

AMENDED IN ASSEMBLY MAY 3, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2601**

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**Introduced by Assembly Member ~~Arambula~~ Members Arambula,  
Aghazarian, Baca, Chan, Garcia, and Houston**

February 24, 2006

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~~An act relating to international trade and investment.~~ *An act to add Article 6.5 (commencing with Section 12065) to Chapter 1 of Part 2 of Division 3 of Title 2 of the Government Code, relating to international trade and investment, and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2601, as amended, Arambula. International trade and investment ~~offices: study and report.~~ *Business, Transportation and Housing Agency.*

*Existing law provides for various international trade and investment activities in the state, and authorizes the Business, Transportation and Housing Agency to accept private sector moneys for the purpose of promoting international trade and investment, subject to specified conditions. The Governor is required to instruct the secretary to establish, on a contract basis, an international trade and investment office in Yerevan, in the Republic of Armenia, subject to the availability of funds for that purpose.*

*This bill would specify that the agency shall be the primary state agency responsible for domestic and international trade and investment activities in the state, subject to specified conditions. It would require the secretary to develop an international trade and investment policy, complete a study on the potential role of the state in global markets, and develop an international trade and investment*

*strategy for the state, subject to specified requirements. It would require the secretary to convene or join a statewide business partnership for international trade and investment to advise on business needs and priorities in that regard. It would require the secretary to develop an international trade and investment office strategy and authorize the establishment of international trade and investment offices by the agency, subject to specified conditions. It would appropriate \$140,000 to the agency for these purposes.*

*This bill would additionally require the Office of Planning and Research to maintain, and update at least monthly, a full and comprehensive list of all state agreements made with foreign governments. It would require all state employees, as specified, to provide to their agency or department head or other oversight entity, within 30 days of traveling out of the country on official state business relating to trade or investment, or both, a memorandum with specified information regarding the trip.*

~~Existing law sets forth the duties of the California Economic Strategy Panel with respect to providing recommendations for economic development in the state.~~

~~This bill would require the panel to conduct a study of the feasibility and desirability of establishing international trade and investment offices for the purposes of carrying out specified functions, to include specified components, and report its findings to the Legislature by no later than January 1, 2008. It would prohibit the expenditure of state funds for purposes of implementing these provisions from exceeding \$145,000.~~

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1     SECTION 1. The Legislature finds and declares all of the
- 2     following:
- 3     (a) The statutory authority for the Technology, Trade, and
- 4     Commerce Agency, including the agency's international trade
- 5     and investment promotion programs, was repealed by Chapter
- 6     229 of the Statutes of 2003, thereby reducing the capacity of state
- 7     government to assist California firms in developing global
- 8     business opportunities.

1     ***(b) The repeal of the statutory authority for the Technology,***  
2     ***Trade, and Commerce Agency has increased the importance of***  
3     ***strengthening collaborative linkages among remaining***  
4     ***California-based international trade and investment promotion***  
5     ***programs operated at federal, state, regional, and local levels.***  
6     ***These programs include, but are not limited to, the Centers for***  
7     ***International Trade Development operated by the California***  
8     ***Community Colleges, 15 offices of the United States Commercial***  
9     ***Service within the United States Department of Commerce,***  
10    ***numerous local and regional World Trade Centers, and public***  
11    ***and private economic development and trade associations.***

12    ***(c) According to data for 2000, international trade and***  
13    ***investment activity in the state supports one in every seven***  
14    ***California jobs.***

15    ***(d) According to the Public Policy Institute of California:***

16    ***(1) Nearly 94 percent of all exporters located in California are***  
17    ***small- or medium-sized firms. Over 90 percent of businesses in***  
18    ***California are small businesses and over 50 percent of all***  
19    ***workers are employed by a small business.***

20    ***(2) Exporters are more productive and pay higher wages than***  
21    ***nonexporters.***

22    ***(3) Effective state programs supporting export opportunities***  
23    ***should identify and respond to differing needs of both***  
24    ***export-willing and export-ready firms.***

25    ***(e) The adequacy of the state's infrastructure, workforce,***  
26    ***research facilities, manufacturing and service industries, and***  
27    ***access to capital form the foundation of California's global***  
28    ***market-related economy.***

29    ***(f) California's multicultural and ethnic populations offer***  
30    ***unique opportunities for international trade and investment.***

31    ***(g) United States subsidiaries of foreign companies in***  
32    ***California employed 561,000 California workers from 2000 to***  
33    ***2005. This is an increase of 15 percent. In comparison to other***  
34    ***states, California is an attractive location for international***  
35    ***employers, ranking first in the United States in the number of***  
36    ***employees supported by United States subsidiaries.***

37    ***(h) California's trade and investment policy is a living***  
38    ***document that should be regularly updated to reflect emerging***  
39    ***business trends and the changing needs of California businesses***  
40    ***and workers.***

1 SEC. 2. Article 6.5 (commencing with Section 12065) is  
2 added to Chapter 1 of Part 2 of Division 3 of Title 2 of the  
3 Government Code, to read:

4  
5 Article 6.5. International Trade and Investment  
6

7 12065. (a) Subject to Section 12068, the Business,  
8 Transportation and Housing Agency shall be the primary state  
9 agency responsible for domestic and international trade and  
10 investment activities in the state.

11 (b) The domestic and international trade and investment  
12 activities of the agency shall be monitored by the Legislature,  
13 and its budget for those purposes shall be subject to approval by  
14 the Legislature.

15 (c) The Secretary of Business, Transportation and Housing  
16 shall develop an international trade and investment policy, which  
17 shall be consistent with the economic development strategic plan  
18 prepared by the California Economic Strategy Panel pursuant to  
19 Section 15570, and shall provide guidance to strategies and  
20 plans from other agencies and departments related to workforce  
21 and infrastructure development.

22 (d) California's international trade and investment policy  
23 shall be directed through its state strategy, which shall be based  
24 on current and emerging market conditions and the needs of  
25 investors, businesses, and workers to be competitive in global  
26 markets.

27 12065.5. (a) Not later than October 1, 2007, the Secretary of  
28 Business, Transportation and Housing shall complete a study on  
29 the potential roles of the state in global markets.

30 (b) The study shall include, but not be limited to, all of the  
31 following:

32 (1) A discussion of California's economy and its relationship  
33 to global markets, including identification of current and  
34 emerging trends, industries, and services.

35 (2) An inventory and gap analysis of existing programs and  
36 services provided by local, state, federal, and private entities,  
37 which serve, or could serve, businesses in opening new foreign  
38 markets for their products, attracting foreign investment to their  
39 businesses, or generally assisting California businesses in global  
40 markets.

1     (3) *An assessment and gap analysis of the current and future*  
2 *physical and human infrastructure related to foreign trade and*  
3 *investment markets.*

4     (4) *The results of a survey of businesses on their needs and*  
5 *priorities related to foreign trade and investment. The study may*  
6 *rely on current surveys prepared by trade organizations or*  
7 *academic centers dedicated to economic development, or other*  
8 *surveys, as appropriate.*

9     (5) *An examination of how best to coordinate and leverage*  
10 *existing local, state, and federal organizations, programs, and*  
11 *services related to international trade and investment.*

12     (6) *An assessment of unique opportunities and challenges in*  
13 *developing businesses and attracting investment along the border*  
14 *and in historically underserved urban and rural areas.*

15     (c) (1) *The study shall make recommendations on policies,*  
16 *programs, and funding needs for the next three years, seven*  
17 *years, and over the long term.*

18     (2) *Recommendations may include infrastructure*  
19 *improvements, workforce training needs, incentives for business*  
20 *or investors, and need for international trade and investment*  
21 *offices.*

22     (3) *To the extent international trade and investment offices are*  
23 *found to be appropriate, the study may make general*  
24 *recommendations on the administration, oversight, and mission*  
25 *or missions of the offices.*

26     (4) *The study shall recommend priorities for state activities*  
27 *and funding related to international trade and investment. The*  
28 *priorities shall be based on the assessment of current and*  
29 *emerging market trends, the inventory and gap analysis of*  
30 *programs and services, the assessment of current and future*  
31 *infrastructure and workforce needs, and input by the business*  
32 *community.*

33     (d) *During the course of the study, the secretary shall consult*  
34 *with other agencies, boards, and commissions that have statutory*  
35 *responsibilities related to workforce development, infrastructure,*  
36 *business, and international trade and investment including, but*  
37 *not limited to, the Manufacturing Commission, the Office of the*  
38 *Small Business Advocate, the California Transportation*  
39 *Commission, the California Community Colleges, the University*

1 of California, the California State University, the Workforce  
2 Investment Board, and the Employment Training Panel.

3 (e) The results of the study shall be submitted to the Chief  
4 Clerk of the Assembly and the Secretary of the Senate. A copy of  
5 the study shall be provided to the Speaker of the Assembly, the  
6 President pro Tempore of the Senate, and the chairs of the  
7 Assembly Committee on Jobs Economic Development and the  
8 Economy and the Senate Committee on Government  
9 Modernization, Efficiency and Accountability, or the successor  
10 committees with jurisdiction over international trade and  
11 economic development programs.

12 12066. (a) Based on the study prepared pursuant to Section  
13 12065.5, the Secretary of Business, Transportation and Housing  
14 shall provide to the Legislature, not later than February 1, 2008,  
15 a strategy for international trade and investment that, at a  
16 minimum, includes all of the following:

17 (1) Policy goals, objectives, and recommendations necessary  
18 to implement a comprehensive international trade and investment  
19 program for the State of California. This information shall be  
20 provided in a fashion that clearly indicates priority within the  
21 overall strategy.

22 (2) Measurable outcomes and timelines for the goals,  
23 objectives, and actions. The strategy shall also define an overall  
24 process for establishing the state's return on investment during  
25 the implementation stage.

26 (3) Identification of impediments for achieving goals and  
27 objectives.

28 (4) Identification of key stakeholder partnerships that will be  
29 used in implementing the strategy.

30 (5) Identification of options for funding recommended actions.

31 (b) The strategy shall be developed in consultation with the  
32 California Economic Strategy Panel.

33 (c) The strategy shall be submitted to the Chief Clerk of the  
34 Assembly and the Secretary of the Senate. A copy of the strategy  
35 shall be provided to the Speaker of the Assembly, the President  
36 pro Tempore of the Senate, and the chairs of the Assembly  
37 Committee on Jobs Economic Development, and the Economy  
38 and the Senate Committee on Government Modernization,  
39 Efficiency and Accountability, or the successor committees with

1 *jurisdiction over international trade and economic development*  
2 *programs.*

3 *(d) (1) The strategy shall be reviewed in at least one public*  
4 *hearing by the relevant policy and fiscal committees of each*  
5 *house of the Legislature. The hearings shall be held within 60*  
6 *days of the strategy being submitted to the Legislature. If the*  
7 *strategy is submitted when the Legislature is in recess, the*  
8 *hearings shall occur within 60 days of the members convening.*

9 *(2) The legislative committees may make recommendations to*  
10 *the secretary on the strategy, and the secretary may modify the*  
11 *strategy accordingly.*

12 *(e) The secretary shall report to the fiscal committees of the*  
13 *Legislature by February 1 of each year on how the Governor's*  
14 *proposed budget relates to the strategy.*

15 *(f) The strategy shall be updated pursuant to the procedures of*  
16 *this section, at least every five years.*

17 *12066.5. (a) The Secretary of Business, Transportation and*  
18 *Housing shall convene or join a statewide business partnership*  
19 *for international trade and investment no later than March 1,*  
20 *2007. If the secretary chooses to join a partnership, a state entity*  
21 *or entities shall be an active member or members participating in*  
22 *a majority of its activities and taking on leadership opportunities,*  
23 *where appropriate.*

24 *(b) The business partnership shall include representatives*  
25 *from small, medium, and large businesses and industries, as well*  
26 *as nongovernmental organizations and government*  
27 *representatives.*

28 *(c) The business partnership shall advise the secretary on*  
29 *business needs and strategy priorities as they relate to*  
30 *international trade and investment. This information shall be*  
31 *used in establishing the needs and priorities in the strategy*  
32 *developed pursuant to Section 12066, and for any other uses as*  
33 *determined by the secretary.*

34 *12067. (a) Based on a review of the international trade and*  
35 *investment policies and the recommendations and priorities*  
36 *established in the international trade and investment strategy*  
37 *developed pursuant to Section 12066, the secretary shall*  
38 *determine whether it is appropriate to consider establishing*  
39 *international trade and investment offices.*

1     ***(b) If the secretary determines that opening international trade***  
2     ***and investment offices is in the best interest of the state, the***  
3     ***secretary shall develop a strategy for selecting, opening, and***  
4     ***managing international trade and investment offices.***

5     ***(c) The international trade and investment office strategy shall***  
6     ***conform to at least all of the following requirements:***

7         ***(1) It shall be based on the needs and priorities of California's***  
8         ***businesses.***

9         ***(2) It shall be consistent with the resources and priorities of***  
10        ***the overall trade and investment strategy submitted to the***  
11        ***Legislature pursuant to Section 12066.***

12        ***(3) It shall define the program's goals, objectives, and***  
13        ***timelines for achieving quantifiable targets. Individual offices***  
14        ***may have separate missions or play different roles within the***  
15        ***overall international trade and investment office strategy. To the***  
16        ***extent that the proposed offices are expected to assist businesses***  
17        ***in opening new markets, these activities shall be targeted***  
18        ***primarily to small and medium sized businesses.***

19        ***(4) It shall define the Business, Transportation and Housing***  
20        ***Agency's management and oversight responsibilities, funding***  
21        ***levels, and activities.***

22        ***(5) It shall define how international trade and investment***  
23        ***office locations will be selected by the secretary and approved by***  
24        ***the Governor, including the general geographic locations,***  
25        ***number of offices, and duties undertaken by the offices.***

26        ***(6) It shall define how the offices will be funded, including***  
27        ***funding for oversight and monitoring.***

28        ***(7) It shall define how offices will be staffed, including staffing***  
29        ***levels and types of positions needed to operate the offices***  
30        ***proposed in the international trade and investment office***  
31        ***strategy.***

32        ***(8) It shall provide a conflict of interest policy and gift policy.***

33     ***(d) The international trade and investment office strategy shall***  
34     ***be submitted to the Chief Clerk of the Assembly and the Secretary***  
35     ***of the Senate. A copy of the strategy shall be provided to the***  
36     ***Speaker of the Assembly, the President pro Tempore of the***  
37     ***Senate, and the chairs of the Assembly Committee on Jobs***  
38     ***Economic Development, and the Economy and the Senate***  
39     ***Committee on Government Modernization, Efficiency and***



1 *Accountability, or the successor committees with jurisdiction*  
2 *over international trade and economic development programs.*

3 *(e) (1) The international trade and investment office strategy*  
4 *shall be reviewed in at least one public hearing by the relevant*  
5 *policy and fiscal committees of each house of the Legislature.*  
6 *The hearings shall be held within 60 days of the strategy being*  
7 *submitted to the Legislature. If the strategy is submitted when the*  
8 *Legislature is in recess, the hearings shall occur within 60 days*  
9 *of the members convening.*

10 *(2) The legislative committees may make recommendations to*  
11 *the secretary on the strategy, and the secretary may modify the*  
12 *strategy accordingly.*

13 *(f) The international trade and investment office strategy shall*  
14 *be updated no less than every five years from the date that the*  
15 *first strategy is submitted to the Chief Clerk of the Assembly and*  
16 *the Secretary of the Senate.*

17 *(g) The international trade and investment office strategy shall*  
18 *be implemented only upon statutory authorization by the*  
19 *Legislature.*

20 *12067.5. (a) International trade and investment offices may*  
21 *be established only to the extent authorized by, and under the*  
22 *conditions specified in, the international trade and investment*  
23 *office strategy described in Section 12067.*

24 *(b) In establishing offices pursuant to this section, the*  
25 *secretary shall submit to the Legislature a business plan for each*  
26 *proposed office, which shall include, but not be limited to, all of*  
27 *the following:*

28 *(1) The mission of the office, goals, objectives, and timelines*  
29 *for achieving quantifiable targets.*

30 *(2) The level of staffing and staff expertise requirements*  
31 *needed to successfully operate the office.*

32 *(3) How the opening of the office relates to the international*  
33 *trade and investment office strategy and the overall international*  
34 *trade and investment strategy.*

35 *(c) (1) The international trade and investment offices shall be*  
36 *under the direction of a manager of international trade and*  
37 *investment offices within the agency, to be designated by the*  
38 *secretary. The manager shall be an individual with experience in*  
39 *management and oversight of public agencies and experience in*  
40 *international trade, investments, or global business.*

1     (2) No international trade and investment office shall be  
2     opened until the position of the manager of international trade  
3     and investment offices is filled within the agency.

4     (3) The position of the manager of the international trade and  
5     investment offices shall be a civil service position funded and  
6     staffed in a manner consistent with the international trade and  
7     investment office strategy.

8     (d) (1) Each office established pursuant to this article shall  
9     submit a report to agency by December 1 of each year on  
10    meeting its goals, objectives, and timelines as outlined in its  
11    business plan.

12    (2) The secretary shall provide a summary of the reports to the  
13    relevant policy committees of each house of the Legislature, as  
14    set forth in paragraph (2) of subdivision (f), by the following  
15    February 1 of each year.

16    (e) The agency shall conduct an annual performance review of  
17    each office for the first three years of the office's operation. After  
18    this term, upon the determination of the secretary, the  
19    performance reviews may be undertaken at a longer interval, but  
20    not to exceed five years. If the secretary determines that an  
21    extended interval is appropriate for a particular office, this shall  
22    be clearly indicated in the secretary's annual report to the  
23    Legislature on the activities of the offices.

24    (f) (1) The secretary shall contract for an independent study  
25    of the operations and effectiveness of the international trade and  
26    investment offices established pursuant to this section at the  
27    conclusion of two years of operation and at four year intervals  
28    after the initial study.

29    (2) The report on the results of the study shall be submitted to  
30    the Chief Clerk of the Assembly and the Secretary of the Senate  
31    no later than two years after the opening of the first office  
32    pursuant to this article. A copy of the report shall be provided to  
33    the Speaker of the Assembly, the President pro Tempore of the  
34    Senate, and the chairs of the Assembly Committee on Jobs  
35    Economic Development, and the Economy and the Senate  
36    Committee on Government Modernization, Efficiency, and  
37    Accountability, or the successor committees with jurisdiction  
38    over international trade and economic development programs.

39    (g) International trade and investment offices shall operate  
40    only to the extent that at least 75 percent of the funding for the

1 operation of the individual office comes from sources other than  
2 state funds, authorized pursuant to Section 13997. All nonstate  
3 sources of funding shall be identified on the agency website by  
4 name and the amount contributed. The agency shall be  
5 responsible for all state administrative and oversight costs and  
6 some portion of the cost of each office, not to exceed \$100,000  
7 per office.

8 (h) Consistent with the international trade and investment  
9 office strategy, the secretary shall make a determination by  
10 September 1 of each year that sufficient funds have been  
11 appropriated in the annual Budget Act to meet its oversight and  
12 management responsibilities related to the proper operation of  
13 the offices. If, in the opinion of the secretary, insufficient funding  
14 has been provided, the secretary shall notify the Joint Budget  
15 Committee and submit a budget change proposal to request  
16 sufficient funding.

17 12068. The Controller shall not allocate any state funds to  
18 the Business, Transportation and Housing Agency for domestic  
19 or international trade and investment activities if any of the  
20 following conditions occur:

21 (a) The strategy for international trade and investment has not  
22 been submitted to the Legislature pursuant to subdivision (a) of  
23 Section 12066 by May 1, 2008, or the strategy update required  
24 by subdivision (f) of that section has not been completed within  
25 six years of the completion of the original strategy or the most  
26 recent update, as applicable.

27 (b) The report to the fiscal committees of the Legislature  
28 required by subdivision (e) of Section 12066 has not been  
29 submitted by May 1 of the year in which it is due.

30 (c) The summary required by paragraph (2) of subdivision (d)  
31 of Section 12067.5 has not been submitted to the Legislature by  
32 May 1 of the year in which it is due.

33 (d) The determination required by subdivision (h) of Section  
34 12067.5 has not been made by December 1 of the year in which it  
35 is due.

36 12068.5. (a) The Office of Planning and Research shall  
37 maintain, and update at least monthly, a full and comprehensive  
38 list of all state agreements made with foreign governments. The  
39 list shall include at least all of the following:

40 (1) The dates of enactment or approval and termination.

1 (2) *The agency, department, board, commission, or other*  
2 *governmental entity responsible for implementation.*

3 (3) *Activities proposed.*

4 (4) *Expected outcomes.*

5 (b) *Agencies may separately maintain detailed information or*  
6 *reports on these activities as they determine to be appropriate,*  
7 *but they shall not be deemed to meet the requirements of this*  
8 *section.*

9 12069. (a) *All state employees shall, within 30 days of*  
10 *traveling out of the country on official state business relating to*  
11 *trade or investment, or both, provide, to their agency or*  
12 *department head or other oversight entity, a memorandum*  
13 *detailing dates of the trip, countries and localities visited, a*  
14 *description of attendees of any official meetings or events, and*  
15 *the goals, outcomes, and follow-up expected from the trip.*

16 (b) *The Governor and Members of the Legislature are exempt*  
17 *from the requirements of this section.*

18 SEC. 3. *The sum of one hundred forty thousand dollars*  
19 *(\$140,000) is hereby appropriated from the General Fund*  
20 *without regard to fiscal years, to the Business, Transportation*  
21 *and Housing Agency for development of the international trade*  
22 *and investment policy required pursuant to Section 12065 of the*  
23 *Government Code, as added by Section 2 of this act; completion*  
24 *of the study required pursuant to Section 12065.5 of the*  
25 *Government Code, as added by Section 2 of this act; and*  
26 *development of the international trade and investment strategy*  
27 *required pursuant to Section 12066 of the Government Code, as*  
28 *added by Section 2 of this act.*

29 ~~SECTION 1. (a) The California Economic Strategy Panel~~  
30 ~~shall conduct a study of the feasibility and desirability of~~  
31 ~~establishing international trade and investment offices for the~~  
32 ~~purpose of carrying out the following functions:~~

33 ~~(1) Promoting California exports, with emphasis on exports by~~  
34 ~~small and medium-sized businesses.~~

35 ~~(2) Attracting foreign companies to locate or invest in~~  
36 ~~California.~~

37 ~~(3) Handling trade and investment protocol.~~

38 ~~(4) Serving as a clearinghouse for information for the state,~~  
39 ~~foreign countries, and their respective industries and firms doing~~  
40 ~~business together.~~

1     ~~(b) The study shall additionally do all of the following:~~

2     ~~(1) Review the costs and benefits of comparable international~~  
3 ~~trade and investment offices of other states.~~

4     ~~(2) Identify which of the functions described in subdivision (a)~~  
5 ~~should be included in international trade and investment office~~  
6 ~~programs, their costs to the state, and a timetable for~~  
7 ~~implementing those options.~~

8     ~~(3) Identify the best method of administration of international~~  
9 ~~trade and investment offices.~~

10    ~~(4) Identify provisions for accountability and verification of~~  
11 ~~activities of international trade and investment offices.~~

12    ~~(5) Identify the most feasible options for establishing~~  
13 ~~international trade and investment offices.~~

14    ~~(6) Estimate the economic benefits likely to accrue to the state~~  
15 ~~from the establishment of international trade and investment~~  
16 ~~offices.~~

17    ~~(7) Create standards for designating locations for new~~  
18 ~~international trade and investment offices.~~

19    ~~(c) The panel shall report its findings to the Legislature by no~~  
20 ~~later than January 1, 2008.~~

21    ~~(d) The expenditure of state funds for the study and report~~  
22 ~~required by this section shall not exceed one hundred forty-five~~  
23 ~~thousand dollars (\$145,000).~~